FOREIGN AGRICULTURE

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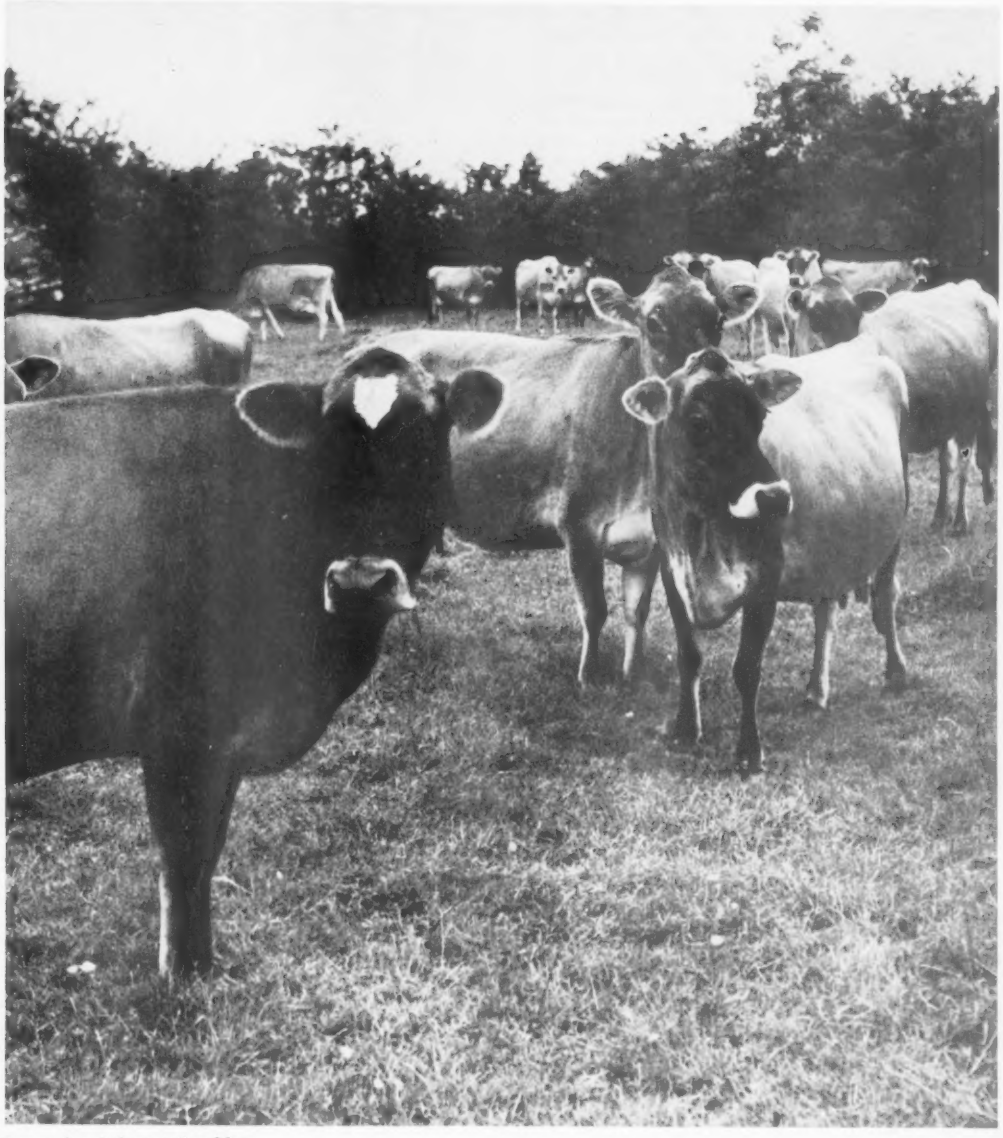

Jersey herd, Lancastershire.

France's First Soybean Crop

Hungary's Livestock Exports Lag

Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE

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Herd of Jersey cows in Lancastershire graze pastures that were adversely affected by weather extremes during 1974. Mild weather late in the year, however, has helped U.K. dairy farmers to surmount feed shortage problems. See article beginning on page 6.

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French Harvest Small First Crop Of Soybeans, Potential Remains

By BRUNO JULIEN
Office of U.S. Agricultural Attaché, Paris

FRANCE'S DRIVE to produce soybeans —launched in earnest last year following the 1973 world soybean crunch —got off to a poor start, as devastating weather reduced the 1974 harvest 20 percent from the 350,000 bushels originally anticipated.

But despite resulting problems—including the lack of seed for a sizable production next year—French soybeans remain a crop to watch. One reason is the country's strong interest in lessening its dependence on imported U.S. soybeans. Another is the example provided by corn of what French farmers can do when incentives and interest are sufficiently strong.

When France started stressing corn, for instance, this crop—like soybeans—was poorly adapted to the cool, wet summer weather common in most of France. But with formation of the European Community, with its high guaranteed prices for farm products, corn producers were encouraged to seek new varieties that could be grown throughout the country and to work toward increased yields. The result has been a fivefold jump in corn area over the past 20 years to 5 million acres and a crop that now outranks all others in Europe. Although area expansion now appears to have leveled off, with poor crops in 2 of the last 3 years, France still is the major U.S. export competitor in the big EC corn market.

France's interest in applying such attention to soybeans had been mounting for several years, but it was not until the soybean crisis of 1973 that this interest was converted into concrete action. Capped by the brief U.S. embargo on soybean exports in the summer of 1973, the shortfall in world oil meal production that year brought to public attention a product hitherto largely unknown in France except to connoisseurs of soya products in Chinese food and, of course, manufacturers of mixed feed.

The feed manufacturers had appreciated for some time soybean meal's importance as a high-protein ingredient in mixed feed and had been increasing its use at a fantastic rate. During calendar 1973, in fact, their use of soybean meal totaled 1.5 million tons, or more than 60 percent of the 2.5 million tons of all protein meals consumed in France. Most of this had come from the United States, either directly as meal or from U.S. soybeans crushed in France (400,000 tons of soybean meal were produced in France during 1973).

At the same time, the United States was counting heavily on soybeans for foreign exchange, since soybeans represented about half the $400 million earned from U.S. agricultural exports to France in 1973.

In any case, the 1973 oil meal crunch spotlighted France's growing dependdence on the United States and sparked demand for soybean production in France. Among those exerting pressures were the powerful French farmer organizations, which began prodding the Government to develop a protein production plan and apply lessons learned from experimental trials with soybeans.

The experimental work was launched in 1966 by the Interprofessional Technical Center for Oilseeds (CETIOM), which with financing from a tax on oilseed production undertakes research into varieties, cultivation practices, fertilization, herbicides, and other areas affecting French oilseed output.

BETWEEN 1966 and 1969, CETIOM conducted a series of surveys to find varieties of soybeans adaptable to French agriculture, the best production regions, and the economic feasibility of soybean cultivation, including the advisability of pushing for its inclusion in the EC's system of Common Agricultural Policies. These first tests were only experimental and on a small scale, with trials on different varieties, cultivation practices, and treatments.

The conclusion was that soybean cultivation was technically possible in

Farmers harvest some of France's small, first crop of soybeans, left, which fell some 20 percent below expectations because of weather damage. Right, a tour of soybean fields, arranged by CETIOM, an interprofessional group, includes specialists from Government and oilseed producers' associations, U.S. agricultural attaché, and journalists. Below, soybean acreage in the Toulouse area.

France if varieties and production regions were well chosen. The U.S. variety, Amsoy, was found to give the best results, although a limiting factor with all varieties was the need for a minimum temperature of 13°C (55°F) during the 3-week flowering period. Because of this requirement, a relatively small area in southwestern France was the only one judged suitable for commercial soybean production.

Economic analyses by CETIOM concluded that to be competitive in this area, soybeans needed a price ratio 2.5 times that for corn (at the time, this amounted to around $5 per bu. compared with a price in the United States of $2.50 per bu. or less).

Following such experiments, commercial testing of soybeans began in 1970. These involved soybean production by a few farmers in the southwest of France, under contracts providing the same income normally received from corn or other crops. The tests were financed by the Ministry of Agriculture and limited to 1,000 acres, with Amsoy being the variety generally grown.

Results from this second series of tests confirmed initial conclusions that soybeans could be produced commercially in France. Based on these results, CETIOM issued a booklet giving technical information to farmers on recommended production areas, minimum climatic and moisture requirements, variety, innoculation (necessary in France), time of seeding, number of plants per hectare, fertilization and weed control, and harvest conditions.

The basic experimental work thus completed—and impatient with the EC's slow progress in planning for increased protein output (an EC Common Agricultural Policy for Soybeans became effective with the crop year beginning Nov. 1, 1974)—France in 1973 began formulating its own protein production plan. The plan proposed production of synthetic proteins for livestock feeding, as well as the introduction in France of new oilseed crops like horsebeans and soybeans.

The country then moved in the fall of 1973 to encourage, on its own, the planting of 10,000 acres of soybeans in 1974, with the goal of obtaining seeds needed to establish a much larger commercial production in 1975.

Initially, a subsidy of around $1.50 per bushel was deemed sufficient to encourage this development, but by the spring of 1974 world soybean prices had begun to slump, and additional incentives were necessary. As a result, the French buying organization for oilseeds set a minimum price that, together with the subsidy, would guarantee soybean producers at least $7 per bushel.

Farmers responded by planting around 9,500 acres of soybeans—all from imported U.S. seed, largely of the Amsoy-71 variety. Most of the plantings were concentrated in a relatively small area, with 60 percent of the acreage being in the Departments of Haute-Garohne, Gers, and Tarn—an area with a latitude the same as that of northern Iowa and southern Minnesota, generally rolling and hilly countryside, and a rainfall averaging about 24 inches per year.

Farmers participating in the effort generally had also produced such seeds as hybrid corn, alfalfa, and sorghum and

thus tended to follow the best cultivation practices. Most obtained their soybean seeds through cooperatives that had arranged with the French Ministry of Agriculture to contract the available acreage in return for price guarantees—one cooperative alone accounted for 20 percent of the allotted soybean area. However, no one farmer produced much of this largely unknown crop—the 1,500 farmers participating in the effort averaged only 6 acres of soybeans per farm.

The 1974 season began with generally favorable prospects for the new crop, despite a few spotty problems such as drought-induced damage in nonirrigated areas (however, close to half the total was irrigated). But as harvesttime approached, conditions rapidly began to deteriorate, with unusually wet weather and below-normal temperatures combining to delay maturing of the crop and foster development of fungus.

Harvesting, expected to take place in the last half of October, was postponed repeatedly. As of mid-November, only 10-15 percent of the acreage had been harvested, with a mere 10 percent suitable for seed in 1975. And because of the weather damage, probably little of the crop subsequently harvested will be suitable for seed.

As a result of such problems, France's 1974 soybean production is now estimated at about 280,000 bushels—a modest start compared with an annual U.S. production of 1.2-1.5 billion bushels in the last 3 years and about 20 percent less than the 350,000 bushels originally expected to be harvested. Probably even more disappointing is the fact that France, instead of obtaining from this first harvest the seed needed for a big 1975 crop, must again import seed from the United States if it is even to maintain output at the 1974 level.

More important than this year's results, however, is the price relationship between soybeans and corn. At present, the EC guaranteed price for soybeans is roughly two times that of corn. However, French farmers who grew soybeans in 1974 have said emphatically they have no interest in soybeans unless the price ratio is at least 2.5 in favor of soybeans.

Given the optimum price ratio, what are the prospects?

Studies made by CETIOM indicate that soybean acreage in France could reach a range of 250,000-375,000 acres by 1980, although most French experts

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Higher Transport, Export Costs Push Consumer Tea Prices Up

By REX E. T. DULL
Foreign Commodity Analysis,
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REFLECTING WORLDWIDE inflation, the international monetary situation, higher petroleum costs—which triggered increased production and transportation expenses—and poor crops in Sri Lanka (Ceylon) and East Africa, world tea prices took a sharp upturn in 1974 after more than a decade of relative price stability.

Prices on the London auction market jumped 38 percent in 1974 to an average of nearly 64 cents per pound, compared with a 46-cent average in 1973, and this means that consumers will have to pay more for their "cup-of-tea." Although producing countries will receive increased foreign exchange earnings from tea exports, the higher revenues will likely be negated by increased costs of petroleum, fertilizers, and labor.

World supply and demand for tea were probably in a near-balanced position in 1974, and although preliminary data indicate that world production approximated the record 1973 harvest of 1.22 million metric tons (excluding the People's Republic of China), export availabilities were probably lower than in 1973 because of rising domestic consumption in producing nations. Actually much of the rise in world consumption over the past several years can be traced to increased usage in these tea-producing countries.

Although India had a record crop in 1974, expanding internal demand was estimated to have absorbed the entire production gain. India's consumption rate has risen to a point where it has become the world's largest tea consumer as well as the largest producer. Most of the tea crop in Japan, the People's Republic of China, Turkey, and the USSR is consumed internally, leaving only small quantities that are available for sale on export markets.

World tea production and consumption have been rising steadily over the years, but exports by the two largest producers—India and Sri Lanka—have shown little change. India's tea exports averaged 209,000 metric tons during 1960-64, 194,000 during 1965-69, and 201,000 during 1970-73, although production had risen from 321,000 tons in 1960 to 470,000 by 1973, an increase of more than 46 percent.

In Sri Lanka, Government policies and low world tea prices of past years have caused the tea industry to stagnate, and production and exports have not varied much since 1960. Production averaged 211,000 tons during 1960-64, 223,000 during 1965-69, and 214,000 during 1970-73. Production in 1974 was estimated to have been only 200,000 tons, the lowest since the 1960 harvest of 197,000. Exports averaged 199,000 tons during 1960-64, 210,000 in 1965-69, and 201,000 during 1970-73.

Thus, any increase in exportable supplies from India and Sri Lanka will likely be limited, and most of the other Asian producers have only a marginal potential to expand exports. Furthermore, the drive to expand food production in Asian countries will likely receive first priority in most governmental programs to increase agricultural output.

By contrast, African tea production and exports have registered sharp increases over the years and continued gains are anticipated in the future. African production in 1960 totaled about 48,500 tons and exports were slightly over 42,000. By 1973, output had increased to a record 152,000 tons, and exports reached an alltime high of 134,000 tons. However, drought conditions reduced African production and exports in 1974 below the record level of the preceding year.

African tea growers still have fertile lands available for expansion in addition

to lower production costs, as well as lower government taxes on the industry, all of which give them a competitive edge over their Asian counterparts. Producers are continuing to make new plantings and there are extensive areas of young plants that have yet to reach their maximum bearing age. Kenya, the largest African producer, will likely maintain its lead in expanding output and exports.

But will Africa be able to supply enough to meet increasing world demand? Or will tea supplies tighten further and prices move to still higher levels? Production gains in Latin America and in Oceania in the coming years will probably be negligible. Tight supplies and high costs of fertilizers, and the diversion of available supplies to food-crop production, will undoubtedly have an adverse effect on future world tea crops.

Moreover, with increased revenues from petroleum exports, several Middle East nations are now in a position to increase their imports of tea, which would result in further pressure on supplies.

Tea usage in the United Kingdom—the world's second largest tea consuming country, and still the largest importer—has been declining, reflecting increased intake of coffee and other beverages. Per capita tea consumption in the United Kingdom in 1960 was 9.3 pounds, falling to 8.6 pounds by 1970, and to slightly under 8 pounds in 1973. Coffee consumption on the other hand, has gained popularity. Per capita coffee usage in 1960 was only 2.1 pounds, rising to 4.4 pounds by 1970, and to a record 5.9 pounds in 1973.

TEA CONSUMPTION in the United States —the world's second largest importer —has been undergoing an expansionary trend and usage is estimated to have reached an alltime high in 1974. U.S. tea imports in 1974 also set a record—178.2 million pounds valued at $79.3 million.

Tea intake in the United States has been stimulated by the convenience of instant teas, including the instant tea mixes which have sugar and lemon added. Although tea bag sales still command the largest share of the market—48 percent of 1973 U.S. retail food store tea sales—instant tea and instant tea mixes together comprised a record 44 percent share, up from 22 percent of the market in 1965.

Indian women in an Assam plant process tea with hand sieves. India had a record tea crop in 1974, but soaring domestic demand absorbed the increase.

Per capita consumption of tea in the United States was estimated to have reached an alltime high of 0.8 pound in 1974, compared with the previous record of 0.79 pound in 1973. Coffee consumption, on the other hand, declined to a per capita average of 13.6 pounds during 1970-74, down from an average of 15.7 pounds during 1960-64.

Despite the recent rise in tea prices, producing countries claim that still higher returns are necessary to enable them to meet climbing production costs. Thus, efforts are being continued by several major producers to establish a producer-consumer International Tea Agreement (ITA), under auspices of the United Nations Food and Agriculture Organization (FAO) and the U.N. Conference on Trade and Development (UNCTAD). However, most African producers are still reluctant to support an ITA until they have completed their tea expansion programs and have secured a larger share of the world market from their competitors.

There has been an interim producer agreement in effect since January 1, 1970, whose purpose is to bolster prices through the setting of export quotas on black tea. However, the allocations of the quotas have been so liberal that they have had a negligible effect on the market in general.

At the Seventh Session of the FAO's Sub-Group of Exporters, held in Rome in June 1974, global export quotas for black tea were revised to 658,000 metric tons for the 1974-75 (April-March) marketing year. This represents a reduction of about 23,000 tons from the quota set at the Sixth Session in July 1973. A global quota of 682,000 tons was set for 1975-76.

Hopefully, weather conditions in producing countries this year will be better than those experienced in 1974, thus enabling world production and exports to move to record levels and offering adequate supplies to consuming nations. However, prices would still probably remain near their current high levels because of higher production and export costs.

Inflation, Recession Haunt U.K. Farmers

THE OUTLOOK for British agricultural production and trade is clouded by uncertainty this year as both farmers and the general public seek to cope with lingering inflation and recession. Still, British farmers are taking relief in the sudden improvement in weather since December—which brought most 1975 crops through the winter much better than expected—and there appears to be a glimmering of hope for better times in the depressed livestock industry.

Inflation is an especially heavy burden in the United Kingdom, with huge retail price gains of 19.1 percent last year (17.8 percent for food) affecting all segments of the economy. As a nation that must import nearly half its food requirements and all its petroleum, the United Kingdom inevitably suffers when world prices in these areas go up the way they did last year—the unit value index for fuels soared 132 percent in 1974. But inflation was also flamed last year by a 28.5 percent increase in industrial wage rates, as labor endeavored to keep one step ahead of prices.

Also in the background is dissension over continued British membership in the European Community and adherence to EC farm policies that are inherently alien to British consumers —an issue to be tackled this June in an advisory referendum on whether the United Kingdom should remain in the EC. Meanwhile, the United Kingdom's agricultural imports from the United States so far have not been affected much by EC membership—as had been feared—although those from former Commonwealth members have suffered greatly, as the United Kingdom has traded increasingly with its EC partners.

Looking to the immediate future—and assuming that the United Kingdom can bring about only minor changes in the EC Common Agricultural Policy (CAP)—prospects for British agricultural production are not especially bright. Grain production is unlikely to exceed that of 1974, although the outlook for wheat has improved considerably from the gloomy forecasts of late 1974. Livestock producers continue in the grip of a cost-price squeeze, which is already leading to lower production of pork and poultry; however, beef output is not likely to turn down until late 1975 or early 1976.

These anticipated developments come on the heels of an agricultural year marked by wildly fluctuating weather and fortunes for British farmers. Farmers began 1974 seriously worried about costs, but with a general expectation that prices for farm products would remain high. As the year progressed, however, confidence rapidly ebbed, particularly among cattle producers faced with a sluggish demand for beef. Their concern built up to near panic toward the year's end, as animals were sold for slaughter at extremely low prices. Milk producers, too, were beginning to experience severe difficulties by late 1974.

Weather followed an equally confused course. The winter of 1973-74 had been unusually mild, allowing farmers to begin 1974 with record plantings of winter wheat, a good lamb crop, and regenerated pastures. However, while weather continued unusually mild, it also was accompanied by extremely light rainfall, so that germination of spring-sown crops was patchy and slow.

By the middle of 1974, many areas of the United Kingdom had experienced one of the driest 6 months on record, and there were gloomy forebodings not only about sugarbeets, but also about other root crops and spring-sown grains; winter grains, on the other hand, came through surprisingly well. In July, the weather made an about turn, and rainfall not only recovered but proceeded to bring one of the wettest—if not the wettest—late summer and fall periods on record. Over much of the country, August-November saw rainfall amounts considerably in excess of normal, combined with unusually low temperatures for September-November.

The results of these weather conditions were mixed. There was a huge grain harvest of generally poor quality. The rainfall helped the potato crop, but hindered its harvesting, and benefited vegetables harvested in the winter of 1974-75. Forecasts of a poor hay and silage crop were fully borne out, but the real disaster was in sugarbeets—the spring drought and late summer rains were the opposite of what was needed, with retarded development of the roots during the growing season compounded by lack of warmth and sunshine during the time when sugar content should have been built up. Fruit production was about average, but the rough late-summer weather caused damage to much of the crop.

Toward the end of the year, it was feared that even a moderately cold winter would result in disaster for a wide segment of British farming. The promised shortage of hay and silage was by now a reality, and the appalling weather had resulted in scant progress in fall cultivation and sowing of 1975 crop wheat. There were dire forecasts of starving farm animals failing to come through even a moderate winter and of soaring feed costs caused by the shortage of home-grown fodder at a time of high prices for imported feed ingredients.

But again weather was unpredictable. December, particularly the last 10 days or so, was generally dry and frost free, with some of the highest temperatures ever recorded for that time of year. As a result, pastures continued to grow, fall-sown crops were well forward for the time of year, and farmers were able to make up much of the earlier lag in cultivation and sowing of grain. The danger now is that there is still time for a prolonged cold spell, in which case the well-advanced crops would be severely affected. Nonetheless, the prolonged mild weather was of untold value to the livestock producers, giving them a breathing space in surmounting the feed shortage problem.

Growth in farm income during 1974-75 (July-June) does not appear likely even to approach the 47 percent gain recorded for net farm income during 1973-74. In fact, provisional forecasts indicate that although value of gross farm output might rise some 25 percent, net farm income may be up only around 14 percent, which would not even keep pace with the current rate of inflation.

Declining prices in the livestock industry, particularly for cattle and eggs, will be a negative factor. However, prices of dairy products should experience a marked improvement as a

result of emergency U.K. actions plus additional measures gained from the EC. Hog prices also have improved after an earlier slump, and will probably continue firm. Grain prices remained high through 1974, despite a large output, so that income in this sector should be up sharply. Although grain prices have recently begun to weaken, it is believed that much of the U.K. wheat crop has already been sold.

On the input side, inflationary pressures continue largely unchecked. Costs are still mounting sharply, and farm wages —if increased by proposed rates—will add considerably more to farm costs.

One symptom of uncertainty in U.K. agriculture has been the sharp drop in prices of farmland. Prices in 1974 went down for the first time since 1945 to an average of about $1,600 per acre, or 15 percent below the 1973 record. The decline was especially sharp in the second half of 1974, with prices falling 22 percent below those in the same period of 1973. Low returns for farming, lack of investment cash for buying land, and the negative provisions of a proposed Wealth Tax and Transfer Tax are all blamed for the price slide, which is expected to continue in 1975.

On the trade side, the United Kingdom last year again increased its imports of farm products—by some 22 percent in the first 11 months of 1974 to an estimated $9.35 billion. This followed gains of about one-third in value of imports between 1972 and 1973, both largely the result of price increases.

In 1973, agricultural imports accounted for 22.5 percent of the United Kingdom's total bill; in 1974 the proportion was down to 19 percent owing mainly to a more rapid rise in nonagricultural purchases, mainly petroleum. A big increase last year was in imports of grains, up 62 percent from January-November 1973 to nearly $1.3 billion. Sugar imports also were up sharply, rising 83 percent to over $700 million. Oilseeds gained 38 percent to $313 million; and fruits and vegetables, 18 percent to $1.4 billion.

The United States accounted for 8 percent of this total import or $745 million worth in the first 11 months of 1974, compared with around $682 million in the 1973 period. This import share is down only slightly from the 9 percent of 1973 and 8.5 percent of 1972, indicating that the United States so far is holding its own in the U.K. farm market.

On the other hand, the United Kingdom is buying considerably more from other EC members—about 40 percent of its total imports compared with a third in 1973 and 13 percent in 1972, prior to the U.K. entry into the EC. Moreover, this represented a real advance since the import prices of products purchased from EC members went up by no more—and in some cases by less—than import prices from other sources.

The main suppliers to suffer were former British Commonwealth members, whose total share of the U.K. market plummeted to 27 percent from 32 and 36 percent, respectively, in the 2 previous years. Sharp declines in imports of meat and dairy products—aggravated by the EC ban on meat imports last year—accounted for much of the market loss.

For 1975, demand for agricultural imports could well be on the low side. Requirements for imported feed ingredients will hardly revive as long as hog and poultry numbers remain depressed, and any recovery in the beef and dairy sectors will be slow in coming. On the possible credit side, grain and oilseed imports could pick up should there be significant declines in world prices, since quality of livestock feeds has been reduced this year as a cost-saving measure. Tobacco imports in 1975 also may dip from the high level of 1974 when stock building increased demand.

Other negative factors lurking in the background are the United Kingdom's chronic balance-of-payments deficit and the fall in value of the pound sterling—off 22 percent since 1971. In 1974, the balance of payments position already had reached a critical stage, with a current accounts deficit of $8.3 billion, or nearly triple that of 1973. The value of exports in 1974 rose 35 percent from 1973, while that of imports rose 50 percent. Most of the import increase, of course, was caused by higher petroleum prices, although U.K. exports also were considered disappointing, with volume up only 8 percent last year.

Finally, the cutback in living standards threatened by inflation and mounting recession could lead to a drop in demand for more expensive food items and textiles. However, the impact would probably be less on bulk raw materials such as those shipped by the United States.

Already, there are signs that the economic slowdown will continue. The country's Gross Domestic Product (GDP) slipped 0.5 percent in January-September 1974 below the year-earlier level, largely because of industrial disruptions in the first quarter, when the GDP fell by 3.5 percent in real terms. Unemployment also is trending upward.

The political scene in 1975 will be dominated by the referendum planned for June on the United Kingdom's future in the European Community, with the economic situation likely to play a large part in the outcome.

Those in favor of remaining in the EC argue that the United Kingdom's economic position will worsen considerably if the country goes into isolation. One benefit constantly mentioned is the insulation the EC's CAP provides from swings in world agricultural prices.

Forces opposed to remaining in the EC argue that, far from helping the United Kingdom sell in Europe, Community membership has resulted in a large increase in U.K. imports from the other members with no reciprocal benefit to U.K. exports.

The insulation provided by the CAP is dismissed as no more than a temporary quirk that will work to the country's disadvantage when world prices drop below EC levels.

A critical point in the renegotiation procedure now under-

U.K. PRODUCTION OF MAJOR AGRICULTURE COMMODITIES
[In 1,000 metric tons]

Item	1973	1974	1975[1]
Wheat	5,003	5,750	5,600
Barley	9,006	9,250	9,100
Other grains	1,298	1,179	1,000
Total grains	15,307	15,979	15,700
Potatoes	6,711	6,526	6,500
Sugarbeets	7,427	5,812	9,000
Beef and veal	876	1,220	1,150
Mutton and lamb	235	252	260
Pigmeat	1,006	1,010	950
Poultry meat	673	670	650

[1] Forecast.

Continued on page 20

Bangladesh Food Supply Pinched by Flood, Lack of Exchange

FLOODING IN THE LAST half of 1974[1] damaged some of Bangladesh's crops, but because of the resulting generous supply of water, outturn of some other crops benefited. But the inundation of farm land was just one of the problems that assailed the country's economy last year, and may, in fact, have been one of its relatively lesser difficulties.

About 60 percent of the country floods each year from the overflow of the Ganges, Brahmaputra, and Jamuna Rivers—the three large streams that water much of Bangladesh. But in 1974, the flood crested at a higher level and lasted longer, causing a larger segment of the population to be dislocated.

After the 1974 flood had subsided, the Bangladesh Government took over from private relief agencies large-scale feeding operations, providing Bengalees of extremely limited or nonexistent incomes free wheat and other commodities that previously had been sold through Fair-Price Shops. There has been a marked drop in the number of persons being fed by the Government since the good aman rice crop was harvested starting in November.

The 1974 aus (early monsoon, short-stemmed) rice crop and some of the early-planted aman (rainy-season, long-stemmed) rice as well as the early jute crop suffered flood damage. However, the rest of the aman crop benefited from adequate ground moisture and a good crop was harvested despite the losses. There was also adequate residual water to permit planting a sizable area of 1975 boro (spring-harvested) rice. And the high ground moisture level lasted at least through the end of January so that other crops grown in the traditionally "dry" winter season got off to a good start.

Despite the damage caused by the flood, Bangladesh's gross national product increased by 12 percent over the 1973 level to US$5.6 billion. The rice component of the GNP increased in 1974 by 18 percent over that of the previous year but boosts in other crops were less, bringing the overall growth to 11 percent. GNP rise in 1975 is forecast at 5-6 percent, and for agriculture about 4 percent.

But undoubtedly holding back Bangladesh's economic growth is the lack of technical, managerial, and professional personnel to carry out the country's programs. Many such skilled persons left Bangladesh before or after its conflict with Pakistan, or were killed in the war. The Government also has policies of nationalizing all aspects of the economy and of excluding foreign investment.

Bangladesh established its first domestic paddy/rice procurement program in 1974, but actual procurement was about 82 percent short of the target—70,000 metric tons (rice equivalent) delivered compared with a 400,000-ton goal. Just after the procurement program got underway—on a voluntary basis except along the border—the international price of rice and other commodities, including petroleum products, began to climb, forcing domestic rice prices higher than the announced domestic paddy/rice procurement price. This caused a drop in deliveries, and the Government terminated its program.

Late in 1974, the Government announced the paddy/rice program for 1975. The purchase price appears to be more realistic than that of 1974.

The 1975 program will, for the first time, force producers to surrender their surplus output. No target was announced for the aman crop, but procurement could reach 200,000 metric tons.

Bangladesh "lost" large quantities of rice that could have helped feed the flood victims, and jute for export, because of smuggling activities across the Indian border. These operations were sizable last year, prompted by a drop in the value of the taka (worth 12 cents at the present official rate of exchange) compared with the Indian rupee; a shortage of consumer goods in Bangladesh but an adequate supply across the border; shortages of transportation to main Bangladesh markets; and the nearness of large Indian markets.

The Government claims it has stopped 90 percent of the smuggling by cordoning off border areas and using soldiers to close and patrol other deserted regions. It is likely large shipments by truck have been stopped but that movements by water and "head" loads are still being carried on.

During 1974, Bangladesh was also beset by foodgrain import problems. Wheat and rice prices on the international market were at high levels and the purchasing power of cash donations was greatly reduced. This forced Bangladesh to cut current foodgrain purchases. In addition, traditional donors were less generous in 1974 than they had been in past years.

Bangladesh had purchased large quantities of foodgrains in 1973 on short-term credit. When payment became due in 1974, it was unable to provide sufficient foreign exchange or to borrow money on terms it considered satisfactory to pay for past purchases and still buy large quantities of foodgrains.

Reduced imports meant belt-tightening for many Bengalees and distribution of grain was at a pace that permitted no stock building. But, even with 4 million persons on statutory rations throughout the year and an additional 16 million or so on partial rations during some of the year, disbursement of food stocks was generally orderly.

Bangladesh's consumption of chemical fertilizers in 1974 was 373,000 metric tons—about 100,000 tons below the Government target, but still higher than consumption in 1973. In fiscal 1975, the target is 500,000 metric tons.

The 1974 shortfall resulted from reduced imports stemming from short world fertilizer supplies, high import prices, inadequate foreign exchange or credits; and increased prices to the farmer. There were also problems in operating the country's triple superphosphate plant, a shortage of imported TSP; the recurring shortage of locomotives and railcars, and an inefficient distribution network.

Grains. Rice production for 1974-75 was estimated at 18.5 million tons (paddy) from 24.5 million acres, about the same

[1] **All production data are on a July 1-June 30 fiscal year basis; other data are on a calendar year basis.**

output as in the previous year.

With production only about 100,000 tons annually, wheat is a minor crop in Bangladesh. The potential exists to increase wheat acreage on land having insufficient water for rice production. But heavy wheat imports distributed at a subsidized rate, could act as a disincentive to increased wheat outturn.

The preferred grain is rice but imported wheat is the main foodgrain distributed through the Fair Price Shops. Production of grain sorghum, barley, and corn is extremely small.

[The U.S. Department of Agriculture and the Government of Bangladesh recently signed a Title I, P.L. 480 agreement that adds $57 million worth of wheat and wheat flour (about 350,000 metric tons) to the original agreement, bringing the total value of wheat and wheat flour in the agreement to $93 million (about 550,000 metric tons). An earlier agreement calls for delivery of 200,000 tons of rice worth $84.5 million.]

Jute. In 1974, about 2.19 million acres were planted to jute, about 100,000 acres less than the previous year's area, while production was 6 million bales, compared with 6.1 million the previous year. About 5.5 million bales arrived at market in 1974; in the previous year the total was 6.3 million

Reduction of acreage in 1974 was due to the conversion of jute land to rice production because of the increasing price differential in favor of rice crops.

For 1975, it appears that the jute crop will be sharply under the 1974 level. Acreage in the current year is estimated at 1.5 million acres and production at 4.5 million bales.

Sugar. Bangladesh's climate and soil have long been considered suitable for sugarcane cultivation, but production of centrifugal sugar has not been sufficient to meet the country's requirements of about 120,000 tons. The Government hopes to attain self-sufficiency in centrifugal sugar by keeping sugar consumption at about 3.75 pounds per person per year, about the lowest in the world. (One of the highest per capita utilizations is some 112 pounds in Australia.) The restricted usage of sugar in Bangladesh would permit exports of at least 10,000 tons in 1975 which, at current world market prices, would earn about $7 million in foreign exchange.

BANGLADESH DOES NOT normally export refined sugar. Moreover, the recent domestic fertilizer shortage could affect the 1975 outturn. But since the country currently needs foreign exchange largely to finance foodgrain imports, it will take strenuous steps to try to initiate sugar exports.

During 1974, Bangladesh's total harvest of about 6.3 million tons of sugarcane (for both centrifugal and noncentrifugal sugar) was grown on some 364,000 acres, of which farms attached to mills produced 1.9 million tons from an area of 139,000 acres. Total acreage of mill-operated farms is some 190,000 acres. Average per-acre output during 1974 appears to have been about 17 tons. Planted acreage in 1974 (for crushing in 1975) was estimated at 175,000 acres in the areas where sugar mills are located.

In the 1974 season a modest crushing target of 100,000 tons of centrifugal sugar was set but the industry was able to produce only 88 percent of this figure. Considering the high production level of sugarcane during the year, it would have been possible to fulfill the target but a spurt in gur (noncentrifugal sugar) making in the mill zone reduced the supply of cane to the mills.

Tea. Bangladesh's 1974 tea production was about 70 million pounds, and exports were nearly 46 million valued at US$11.9 million. The export target had been 60 million pounds.

Since losing Pakistan as a guaranteed customer when it gained its independence, Bangladesh has been trying to boost its tea exports, but with only moderate success. Pressure from its own mounting consumption, plus the low quality of its tea compared with other teas, has complicated Bangladesh's search for export markets.

Tobacco. In Bangladesh tobacco comes after jute and sugarcane as a cash crop. According to the Bangladesh Soil Survey there are about 1.3 million acres on which tobacco could be grown, but the total in actual use is much smaller.

Official data show that in 1974, tobacco production of all kinds was 40,940 long tons grown on 114,640 acres. In the previous year, the totals were 39,460 long tons and 116,300 acres. Average yield in 1974 was an estimated 800 pounds per acre, up from an average of 759 pounds in 1973.

For 1975, total area is forecast at 117,500 acres and production at 41,720 long tons. Of this, 22,000 acres—5,000 acres of Virginia-type flue-cured leaf and 17,000 acres of Virginia-type air-cured leaf—will be grown under direction of the Tobacco Development Board with a production target of 17.6 million pounds. The country's total requirements of both flue-cured and air-cured leaf are currently 55.1 million pounds for cigarettes.

To reach self-sufficiency, Bangladesh's 5-year plan (1974-1978) calls for production of 63 million pounds of leaf annually by 1978. To attain this objective, the Government plans to spend during the 5-year period US$17.8 million, $2.8 million directly, and the balance to be given in the form of loans to farmers for barn construction and fertilizer, insecticide, and fuel purchases.

Cotton. Bangladesh grows only a small quantity of short-staple cotton, about 5,710 bales (480 lb net) from 19,000 acres and depends on imports of raw cotton to supply its spinning mills.

In 1974, Bangladesh contracted for the import of 249,700 bales. Of these, 66,300 bales arrived in the 1973-74 fiscal year and the rest were scheduled to arrive in fiscal 1975. Of the total contracted for, the U.S. share was 149,000 bales.

Oilseeds. During 1974, there was a shortage of imported edible oil in Bangladesh. With an import target of about 110,000 tons, actual foreign purchases for the year were probably about half that. The ability to "get by" with such reduced imports reveals an elasticity of demand in the urban areas and that much of the population can "make do" on domestically produced edible oils.

Bangladesh's acreage planted to rape and mustardseed, peanuts, seseameseed, and coconuts is officially estimated to have declined from 725,000 acres in 1973 to 691,000 acres in 1974.

Production of oilseeds in 1974 is estimated at about 150,000 tons, compared with 136,000 tons in 1973. Production of edible oil is reported at about 60,000 tons, compared with 62,000 tons in 1973.

—Based on reports from
Office of U.S. Agricultural Attaché, Dacca

Hungary's Cattle Industry Hard Hit by Export Slowdown

By THOMAS A. VANKAI
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HUNGARY'S fast-developing cattle industry has been dealt a severe blow by the sudden loss of top export markets in the European Community. Hungary, which is strenuously upgrading its cattle industry with U.S. breeding stock, previously sent some 85 percent of its cattle exports to Italy and 10 percent to West Germany, now tightly closed by the extended EC-wide embargo on meat and slaughter cattle.

In 1974, vast numbers of unsold finished cattle accumulated, while Hungary sought to develop new markets. A 60,000-head purchase by the Soviet Union late in the year relieved the situation considerably, although the solution was temporary.

In the past 3 years, the Hungarian Government has made dramatic progress in its ambitious plan to revitalize the country's beef and dairy industries, which rely on imports of U.S. breeding animals. During 1974, Hungary purchased some 3,000 head of U.S. breeding cattle, well above the 1973 amount, when such imports totaled about 2,000 head. Despite the adverse effects of the EC embargo, Hungarian Government officials seem committed to continuing the program, including possible imports of about 7,000-8,000 head of breeding stock from all sources annually through 1980.

Some readjustment of Hungary's cattle development goals seems inevitable, however, unless new markets for slaughter cattle can be found or domestic beef consumption increases appreciably. Before the embargo, for example, some 20,000 cattle were finished for export monthly, of a total of 50,000 head readied for slaughter.

Until the EC once more opens its doors to trade, the Soviet Union appears to offer the best prospects for Hungary's cattle exports. Hungary is reportedly now negotiating a long-term contract with the USSR for the export of slaughter cattle. To save transport costs, plans for a meat processing plant on the border between the countries are being developed.

A further outlet for Hungary's beef supplies could be the domestic market, where per capita consumption of beef is still extremely low. The average Hungarian ate only about 18 pounds of beef in 1972, out of a total consumption of 129 pounds of meat and poultry. But Hungarians far prefer pork and poultry to beef—pork accounts for 60 percent of all meat eaten—so that many butcher shops in Hungary do not even carry beef.

CONSUMER TASTES might swing farther toward beef if better quality beef were kept on the domestic market, rather than exported. In 1972, Hungarians consumed only half the beef their country produced, while consuming more than 80 percent of all pork produced there.

Hungary's program to upgrade and expand its cattle industry was initiated in 1972 to satisfy growing domestic meat and dairy product needs and to earn hard currencies in the export markets of the West. Until recently, the export potential for slaughter cattle and beef seemed almost unlimited. Foreign demand was booming, accompanied by export-encouraging price increases on international markets.

Following the market signals, the Government provided incentives to the beef and dairy cattle industries—loans, bonuses, and higher producer prices—in a concerted effort to revitalize failing production. Both pork and poultry output had reached satisfactory levels during the 1960's. Hungary also succeeded in building up its feed base, becoming a surplus producer of grains with net annual exports of about 1.5 million tons in the last 2 years.

IN ONLY 2 years, the program showed dramatic results. Cattle numbers, after declining for years, registered their first gain in January 1973, and continued to rise by an additional 2 percent by January 1974. During the first 10 months of 1974—in spite of a decline in cattle slaughter—statistics show that market production of meat increased by 22 percent, compared with the year before. Milk marketings rose by 7 percent, and previous imports of butter and some milk powder were supplanted by domestic products.

Exports rose apace with advancing production. Live cattle exports surged in 1973, surpassing 120,000 tons liveweight—some 9 percent above those of the previous year. In 1973, Hungary exported 36 percent of cattle produced, 5 percent of hogs, 58 percent of sheep, 22 percent of poultry, and 7 percent of eggs. Italy was the most important outlet for live cattle and beef; Poland, Czechoslovakia, and East Germany for pork; the Soviet Union for poultry; and the United States, Czechoslovakia, and West Germany for processed meat.

But the intensive cattle production and export program was hardly underway when Italy—market for 70-80 percent of live cattle exports—sharply restricted its purchases. In the summer of 1974, all other Common Market countries followed suit. Beset by mounting

U.S. AGRICULTURAL TRADE WITH HUNGARY, 1972-74
[In 1,000 dollars]

Item	1972	1973	1974
U.S. farm exports:			
Soybean oilcake and meal	6,532	14,702	25,625
Cattle hides, whole	1,150	1,686	4,213
Kip skins	966	465	2,464
Cattle, dairy, breeding	317	1,472	2,135
Other	1,488	2,273	2,734
Total	10,453	20,598	37,171
U.S. farm imports:			
Pork, boned, cooked	4,772	5,137	7,324
Grape wine	365	586	915
Other	525	889	1,441
Total	5,662	6,612	9,680

Holstein-Friesians airshipped from the United States to Hungary are trucked from planeside in Budapest, above. U.S. Holstein-Friesian ascends ramp at Harrisburg, Pa., before shipment by air to Hungary, where breeding cattle imports should continue strong this year, despite the loss of top livestock export markets in the European Community.

beef surpluses, the EC embargoed beef and cattle imports until November 1974 —a ban that was extended indefinitely on October 31. Reflecting the market closure, Hungary's live cattle exports dropped by almost 32 percent in the first 10 months of 1974, compared with the same period of 1973.

Because of a lack of buyers, farmers last year were forced to hold cattle beyond the finished stage, until Hungary was able to sell 60,000 head to the USSR for delivery during the last quarter of 1974. Under normal circumstances, the sale would have netted Hungary only soft (nonconvertible) currency—of which it has an ample supply —but Hungarian sources indicated that the USSR would pay partly in hard (convertible) currency.

Yet Hungarian Government officials have discounted the export difficulties caused by the accumulation of meat in the West, considering it a temporary phenomenon. The Deputy Minister of Agriculture in September 1974 said that, despite international marketing difficulties, Hungary will not backtrack in its cattle breeding program and will not let current market fluctuations influence long-range livestock plans.

A viable Hungarian livestock industry will continue to generate demand for U.S. breeding cattle and high protein meal. Soybean oilcake and meal for use in poultry and hog feeds now heads the list of Hungary's imports from the United States, amounting to $25.6 million in 1974. Cattle hides were second largest U.S. export, valued at $4.2 million, followed by breeding cattle worth about $2.7 million.

Hungary's plans for 1980 call for a 20 percent increase in cow numbers to 950,000 head, but a leveling off of hog numbers at the present 8 million. Poultry and egg output are projected to rise by 25 and 20 percent, respectively. The increase in meat and product availability will be partly absorbed by growing domestic consumption and partly by exports.

By increasing its meat processing capacity, Hungary's plans call for a shift away from the less profitable live animal exports to sales of meat and products. The reduction of live cattle exports could, however, dampen needs for imported U.S. cattle hides.

When Hungary effected its cattle development program in 1972, emphasis was directed at both the beef and dairy industries. By 1973, however, the program had generated an oversupply of milk. As a result, the subsidy program was modified in August 1974 to promote a shift from milk to beef production and to encourage single-purpose cattle holdings—either beef or dairy.

Under the new program, effective January 1, 1975, the Government has increased bonuses for live born calves, but is giving bonuses only for beef calves. Dairy farmers now receive a premium on milk sold to the State, which will decline in subsequent years. This is designed to force farmers to keep only cows with high yields. The present price, including premiums, will allow profits only if average annual milk yields per cow reach 2,900 liters. By 1980, 3,600 liters will be the break-even point. The countryside average yield was 2,458 liters in 1973.

Another stimulus to single-purpose cattle holdings is a grant available to large-scale enterprises that will convert their dual-purpose stock to specialized beef or dairy. A number of other subsidies are also available for construction or remodeling of livestock facilities. In spite of progress under the program, 90 percent of cattle holdings remained dual-purpose by mid-1973.

By 1974, Hungary had 415 specialized dairy farms and 289 hog feeding units. Since many were in the early stages of operation, their production was only about 1 million hogs, and stands for over 50,000 cows were empty. According to plan, these farms should eventually finish 2.4 million hogs annually and house 173,000 cows. Their cost reportedly amounted to some $1 billion—partly from the Government and partly from farm funds.

Meat and milk processing has been another target of the development program. According to the Minister of Agriculture, about $500 million is being spent to subsidize the food industry in 1971-75.

In Hungary, as in some other Socialist countries, food prices in the retail, producer, and foreign trade sectors are set independently of each other. Thus, retail prices of staple commodities like

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PORTUGAL part 2

Farm Trade Deficit Spurs Government Programs

BY JAMES LOPES
Foreign Demand and Competition Division
Economic Research Service

In the preceding issue of *Foreign Agriculture*, Mr. Lopes analyzed Portugal's basic agricultural problem—rising consumed demand and faltering domestic farm production. In the following article, he discusses steps being taken to correct the problem.

PORTUGAL'S currently insufficient agricultural production, which is resulting in an expanding volume of agricultural imports, is contributing to the country's widening deficits in foreign trade.

Although agricultural exports—particularly of tomatoes and wine—have been increasing rapidly, these items covered only 43 percent of the value of agricultural imports in 1973.

The deficit in farm trade has widened from an average of $134 million in 1969-71 to $259 million in 1972, and was up to $374 million in 1973.

The farm trade deficit in 1973 accounted for nearly one-third of Portugal's total trade deficit of about $1.2 billion. A total trade deficit of $1.5 billion is estimated for 1974, with agricultural products expected to account for most of the increase.

Portugal's Provisional Government (which replaced the 48-year-old Salazar-Caetano regime April 25, 1974) is seriously concerned about agricultural production-utilization imbalances. In recent months, the Government has promulgated several measures to stimulate agricultural production.

The Government in July 1974 announced details of a new farm plan to increase farm output. The plan aims at improving the quality of pastures in about 750,000 acres of grazing land and increasing productivity on about 1.3 million acres (including about 75,000 irrigated acres) now sown to grain and other crops.

Grain and oilseed production is expected to increase by 400,000 and 60,000 tons, respectively. Grazing area is expected to provide an additional 13,000 tons of beef; 11,000 tons of both lamb and goat meat; and about 46 million quarts of cow, goat, and sheep milk.

Numbers of breeding cows (dairy and beef) and sheep and goats are to increase 40,000 and 340,000 head, respectively. Production of sugar beets is to increase from the current insignificant amounts to about 800,000 tons in the years ahead.

Neither the amounts to be invested, the target dates, or the measures to be taken have been specified. However, a new agency, PADAP (Program Autonamo do Desenvolvimento Agro-Pecuario) is to be created to implement the farm plan.

The new plan also includes livestock development measures for the Azores Islands, which are a part of Portugal. The plan calls for an investment of $250 million in the Azores to bring into production about 100,000 acres of uncultivated land.

This proposed expansion is expected to double meat and milk production to 40,000 tons and 400 million quarts of cow milk, respectively. The increase in production of meat and milk in the Azores is expected to make up for agricultural shortfalls on Portugal's mainland.

More recently, the Government approved several other measures for the agricultural sector of the economy, including:

- A new land leasing law that allows tenants on rented uncultivated land to purchase the land they developed;

Harvesting grapes in Beira Alta, one of the major wine-producing areas of Portugal (left). Plowing frequently is by traditional methods (below). Planting rice (bottom). Portugal's agricultural economy is relatively low in productivity, and the current social and economic transformation has added an element of uncertainty. Portugal's demand for imported farm products is likely to grow in the late 1970's.

- New rural labor legislation for the farm Province of Alentejo, which sets higher minimum wage levels (much higher than the existing wage scale) and guarantees full-time employment to agricultural laborers;
- Higher producer prices for grain, olive oil, oilseeds, meat, and milk;
- Legislation promoting development of the sugar beet industry, including construction of sugar beet refining plants;
- Higher taxes in successive years, rising by 25, 40, and 50 percent on nonutilized or underutilized fertile land;
- Reorganization of agricultural production and marketing services.

Although ambitious in scope, the new measures are not likely to reduce Portugal's gap in agricultural products in the near future.

Some increases in farm production are likely to be offset by increased consumption. Agriculture is plagued by many problems that are likely to prevent an immediate increase in farm production.

With a few exceptions, Portuguese agriculture is outmoded, inefficient, and badly in need of new technology, finance, and better management. Additional difficulties are the low level of land utilization, centuries of soil erosion, occasional droughts, and problems related to land ownership.

Failure to overcome these obstacles has left Portugal with low productivity in the agricultural sector. The current social and economic transformation—triggered by the political events of April 25, 1974, as well as the vagueness of the agricultural development plans thus far announced—has added an element of uncertainty that will tend to retard rapid agricultural development.

Many of the half-century-old farm production marketing institutions are being revamped. Farmers may be reluctant to intensify their production—requiring large capital investment—in the face of soaring input costs, particularly new and higher minimum wages, along with severe capital limitations and occasional droughts. Some farmers will likely abandon production. Finally, shortages of public funds could severely curtail the proposed programs for agricultural production.

Portugal's import demand for farm products is likely to grow during the remaining 1970's, as a result of this situation. Purchasing power is increasing and consumption patterns are changing, stimulated by migration from rural areas—where homegrown products such as potatoes and vegetables provide a significant part of the diet—to urban centers, where consumers are dependent on farm markets.

PORTUGAL'S prospects for self-sufficiency in grains do not appear promising. During the 1970's, total grain area is likely to continue to trend downward, and any increase in grain production through higher yields will be offset by increased consumption.

Mounting labor and fertilizer costs will force marginal grain farmers out of production. Larger farmers will intensify production—provided price and other incentives are available.

The new grain policy adopted in August 1974 sharply increases grain support prices, but sets more stringent marketing regulations for grains and discontinues the subsidy of about $80 per ton previously granted to wheat producers.

The outlook for coarse grains production, particularly corn, does not appear bright. Any increase in corn production will have to come from irrigated areas, where it will be competing with other crops, such as tomatoes and sugar beets.

During the remaining 1970's, Portugal's corn area is likely to continue decreasing, and even with higher yields corn production is not expected to surpass—at most—700,000 tons by 1980.

Portugal's imports of oilseeds, particularly soybeans, should show substantial gains in the remaining 1970's.

Oilseed crushing capacity is no problem, however. Two new plants with a total annual capacity of more than 100,000 tons are now operating in Portugal.

ANOTHER factor is that consumers are demanding an edible oil priced at less than olive oil and peanut oil. Soybean oil has so far played a modest role in the edible oil market in Portugal, but its importance is expected to increase as a result of its acceptance by the Government as an edible oil in June 1973.

Greater quantities of mixed feeds will be needed to meet the continued upsurge in production of livestock. With rising incomes, consumers are expected to accelerate their demand for meat. Portuguese per capita consumption of all meat is among the lowest in Western Europe—in 1972, about half that of the European Community.

An appendix to the Government's

Continued on page 20

Jump in Cigarette Use May Retard Brazil's Leaf Exports

By DANIEL J. STEVENS
Foreign Commodity Analysis, Tobacco
Foreign Agricultural Service

ENCOURAGED BY strong world demand for good quality cigarette tobacco, Brazil is seeking to export more of this type of leaf. Its export potential may be limited, however, by a variety of factors. Chief among these are booming domestic cigarette sales and soaring production costs, the first of which could keep much of the better grades of tobacco at home, while the second could limit output.

Cigarette sales during 1973 increased by an estimated 7 percent and indications are that the growth rate in 1974 may exceed 10 percent. The country's 2.8 percent population growth in 1973, combined with the fact that close to 50 percent of the population is under 20 years of age, means that a large number of new smokers enter the market each year.

In addition, it is estimated that over 30 percent of the Brazilian population smokes "roll-your-own" twist tobacco cigarettes. As disposable incomes of smokers within this segment of the population increase they tend to switch to ready-made cigarettes. Brazil's twist tobacco production has fallen 25 percent in the past 2 years and manufactured cigarettes continue to make significant inroads in the roll-your-own market.

A corollary development of significance to Brazil's future as a tobacco exporter is the apparent increased use of export-variety tobaccos in domestic cigarettes. Traditionally, Brazilian cigarettes have been dominated by amarelinho tobacco, a native flue-cured variety. But in recent years the use of Virginia flue-cured and burley tobacco types has risen. A very strong tobacco, amarelinho's flavor is still preeminent in popular brands of Brazilian cigarettes, but the increased utilizations of flue-cured and burley tobaccos may indicate a gradual shift to blended cigarettes.

American—or blended-type cigarettes—had previously been introduced in Brazil with little success. The apparent current movement toward this type cigarette may come from the large number of younger smokers entering the cigarette market.

Increased use of Virginia flue-cured and burley leafs will put the domestic cigarette industry in direct competition with exporters for these types of leaf. If both exporters and manufacturers are to receive adequate supplies, however, production increases of these tobacco types must continue the sharp uptrends of the late 1960's.

Brazilian production of Virginia flue-cured and burley leaf tobaccos has experienced phenomenal growth in the past 10 years. Virginia-flue-cured output jumped from an estimated 9 million pounds in 1965 to approximately 128 million in 1974. Burley went from an estimated 8 million pounds in 1965 to about 31 million in 1974.

But most of the decade's production increase of these two tobaccos occurred during the beginning of the period. Between 1965 and 1970, flue-cured tobacco output increased tenfold to 93 million pounds and that of burley more than quadrupled to 34 million pounds. Thus, in the past 10 years, 79 percent of the production growth of Virginia flue-cured took place in the first 6 years of the period, and 144 percent of burley's growth.

PRODUCTION OF native cigarette tobaccos has shown diverse trends during the same period. The production of amarelinho has stabilized at about 110 million pounds. Output of galpao, a native cigarette type tobacco, has fluctuated widely in a general uptrend that caused the crop to reach 66 million pounds in 1974. Twist tobacco, on the other hand, is belived to have peaked at 110 million pounds in the early 1970's and declined substantially in 1973 and 1974.

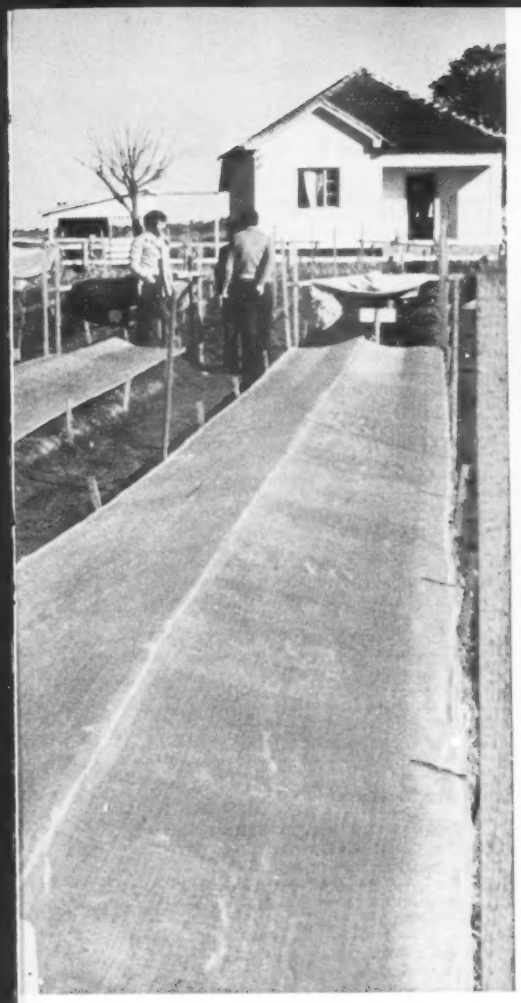
It is expected that production trends of native tobacco types will continue to be much the same in the future. Increased cigarette production is expected to sustain amarelinho production at current levels, but the increased use of Virginia flue-cured will likely prevent any substantial rises in the production of amarelinho leaf. The uptrend in galpao production may level off somewhat as export markets dry up and cigarette companies place additional emphasis on burley. Also, fermentation of galpao takes a tremendous amount of hand labor and, as a result, production costs will be driven up sharply as wages increase. The decline of twist tobacco production is expected to continue as the switch to readymade cigarettes accelerates in the future.

Production outlook for Virginia flue-cured and burley types is much brighter than for the native types. Informed trade sources agree that flue-cured and burley production will increase but disagree as to its rate and magnitude.

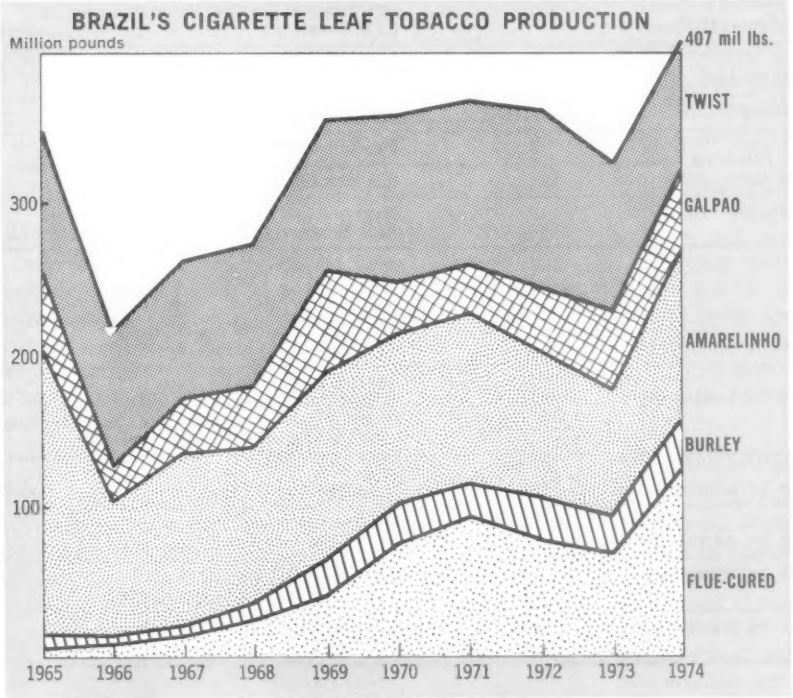
The production potential for Virginia flue-cured tobacco in the traditional growing area of Southern Brazil is estimated to be about 200 million pounds. But how fast will this potential be reached? Soaring production costs, competition among tobacco companies for experienced growers, attractive prices for alternative cash crops, and erratic weather patterns are problems that currently face the industry, holding down the rate of growth.

Cost of many of the inputs of tobacco production, including fertilizer, doubled during 1973. This rise, coupled with the 30 percent general inflation rate, is putting the tobacco companies, who provide interest-free financing to growers, in a bind for working capital. It is estimated that the tobacco companies will have to provide farmers with 65 cents out of every dollar to be paid for the crop even before it is planted.

Erratic precipitation patterns in the southern production region reportedly cause yields to vary as much as 40 percent from the average. This has prompted some tobacco companies to look for new tobacco land in other areas. Experimental flue-cured production is currently taking place in the northeastern State of Alagoas. Interest has also been expressed in increasing tobacco acreage in the State of Bahia, Brazil's traditional cigar tobacco production State. The primary factor limiting production in these areas is the lack of trained or trainable growers and it may be several years before significant production of cigarette leaf is forthcom-



Above, a flue-curing tobacco barn on an experimental farm in South Brazil. Left, plastic covered tobacco beds, also in South Brazil. The woven covers are being used on a trial basis to determine if they can replace cotton covers.



ing to any real extent in the new areas.

Burley production, which has increased at a slower rate than flue-cured, is expected to receive additional attention in the next few years. Reportedly, manufacturers did not receive adequate quantities of burley in 1973. Demand was expected to increase substantially in 1974 as cigarette companies tried to make up the 1973 deficit and at the same time keep pace with ongoing utilization of cigarettes.

There is also a drive underway to upgrade the quality of Brazilian burley. The larger cigarette companies are currently experimenting with several new varieties and are attempting to develop some that are more suited to the Brazilian environment.

Brazil's export potential for burley will depend to a large degree on the success of the quality-improvement programs. World supplies of filler-quality burley are apparently adequate. If, however, Brazil can produce a burley type that is superior in quality to Mexican, Italian, and Greek burley, Brazilian exporters should have no trouble selling it at a premium price.

In addition to availability of export varieties of leaf tobacco, price will also affect the amount that enters world trade. Increased production costs and strong world demand for quality leaf tobacco have driven prices up sharply in all major exporting countries. Brazil is no exception.

Growers' prices for flue-cured tobacco increased from 19 U.S. cents per pound in 1972 to over 30 cents in 1974. The export price of Brazil's 1974 flue-cured crop jumped an estimated 33 percent to an average of over 60 cents per pound. A similar increase in anticipated for the 1975 export season.

The outlook for Brazilian cigarette tobacco exports thus depends to a large extent on the growth rate of domestic cigarette consumption relative to production increases.

Leaf availability for expansion of exports will be limited if the cigarette market develops at the rate anticipated by the trade and production continues to increase at the 5 percent average-annual rate of the past 5 years. On the other hand, if domestic consumption of export varieties falters and production returns to the growth rate of the late 1960's, Brazil could easily double cigarette leaf exports in the next 5 years. Current indications are that the former assumptions are more realistic.

U.S. FARM EXPORT PROMOTIONS, 1975-76

LOCATION	DATE	TYPE OF EVENT
Scheduled		
WEST GERMANY Cologne	September 13-18, 1975	ANUGA—general food/equipment show U.S. companies grouped in one area FAS-sponsored catalog show
ITALY Cremona	September 20-29, 1975	International dairy show (U.S. cattle and feedstuffs)
JAPAN Osaka	August 5-9, 1975	U.S. exhibit (Fresh and processed foods)
Tentative		
UNITED KINGDOM Cardiff Birmingham Sheffield London	October 1975 March 1976	FOODEX—U.K. agent, hotel shows, U.S. exhibit of HRI[1] and industrial ingredient show (U.S. processed foods)
EAST GERMANY Berlin	September 1976	Attaché product display (Fresh and processed U.S. foods)
ITALY Foggia	May 1976	General agricultural show (U.S. livestock and feedstuffs)
THE NETHERLANDS Utrecht	February 1976	ROKA FAS-sponsored catalog show
HUNGARY	August 1975	Livestock show for Hungarian and other East European buyers (U.S. livestock and feedstuffs)
PORTUGAL Tomar	May 1976	National poultry and swine show (U.S. poultry)
POLAND Warsaw	May 1976	Attaché display show (Fresh and processed U.S. foods)
BRAZIL Esteio	August 1976	International livestock show (U.S. livestock)
VENEZUELA Valencia	October 1975	International livestock show (U.S. livestock)
JAPAN Tokyo	March-April 1976	Further reprocessing exhibit (U.S. food materials or products)
SWEDEN	Spring 1976	U.S. processed food sales team
SPAIN	October 1976	U.S. processed food sales team
INDONESIA	February 1976	U.S. processed food sales team
SINGAPORE	February 1976	Food and gift package show (U.S. foods)
Proposed		
WEST GERMANY	To be announced	HRI[1] food shows in major hotels (U.S. processed foods)
AUSTRIA Vienna East-West Trade Center	To be announced	Attaché display show To reach government food purchasers of centrally planned economy countries (Fresh and processed U.S. foods)
SPAIN Madrid	To be announced	Snack food exhibit
LEBANON Beirut	To be announced	U.S. food show (Fresh and processed U.S. foods)
NORTHERN CARIBBEAN	To be announced	Reprocessing show (U.S. food materials or products)
SOUTHERN CARIBBEAN	To be announced	Reprocessing show (U.S. food materials or products)

[1] HRI is hotel, restaurant, institutional.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Mar. 11	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	5.01	+3	6.68
USSR SKS-14	(1)	(1)	(1)
Australian FAQ[2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	4.85	+1	6.10
15 percent	5.03	0	(1)
U.S. No. 2 Hard Winter:			
13.5 percent	4.63	+14	6.08
No. 3 Hard Amber Durum	6.80	−28	8.30
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.23	+11	3.71
Argentine Plate corn	3.52	+2	4.03
U.S. No. 2 sorghum	3.00	+3	3.54
Argentine-Granifero sorghum	3.04	+4	3.49
U.S. No. 3 Feed barley	3.11	−10	3.15
Soybeans:			
U.S. No. 2 Yellow	5.88	+42	7.35
EC import levies:			
Wheat	1.34	+1	0
Corn	.85	−22	0
Sorghum	1.13	−15	0

[1] Not quoted. [2] Basis c.i.f. Tilbury, England.
NOTE: Price basis 30- to 60-day delivery.

Argentine Wheat Estimate Revised Upward

Argentina's wheat production for 1974-75 is now unofficially estimated at 5.6 million metric tons—half a million tons more than the second Argentine official estimate. The upward revision is based on wheat purchases by the National Grain Board that totaled 5 million tons through February 24. Another 600,000 tons are expected to remain on farms. Argentina produced 6.6 million tons of wheat in 1973-74.

French Wheat Acreage Down

Total area sown to wheat in France during 1975 is estimated to be about 750,000 acres below the 10 million acres harvested in 1974, according to an official French source. Area in soft wheat is expected to be down by about 864,000 acres, but a 100,000-acre increase in Durum planting is anticipated. A 500,000-acre decrease in the total French wheat area has been estimated by other sources.

EC Commission Completes CAP Review

The European Community Commission has completed a stocktaking (review) of the Common Agricultural Policy (CAP) directed by the EC Council in October 1974. Some innovations to improve the CAP have been advanced, but no action on the stocktaking proposals is expected in the Council until perhaps the fall of 1975.

Among other things, the Commission recommends better equilibrium between supply and demand, and suggests better price relationships among products, co-responsibility of producers for surpluses, and policy for stockholding.

The price relationship aspect pertains primarily to grains, and apparently is aimed at increasing feedgrain prices relative to prices for milling wheat. The Commission suggests the abolition of denaturing premiums for wheat.

Under export policy and export subsidies, the Commission mentions but does not elaborate on long-term supply contracting with importing countries. Tender or bid systems, which would promote competition among exporting firms, appear to be favored.

DAIRY AND POULTRY

U.S. 1974 Dairy Imports Declined From 1973 Level

Dairy products imported into the United States in 1974 totaled about 2.9 billion lb, milk equivalent—compared with 3.9 billion lb in 1973.

Imports, which are computed on a fat solids basis, were made up essentially of two components—the normal import pattern, which runs 1.8-1.9 billion pounds, milk equivalent, plus about 1 billion pounds, milk equivalent, representing the 100 million additional pounds of Cheddar cheese authorized during the first quarter. Total imports equalled 2.5 percent of domestic milk production.

Aggregate cheese imports other than Cheddar were 209 million pounds—almost exactly the same level as in 1973. The big gainer was Emmenthaler—most of it above the price-break cheeses remained about steady in total volume but also shifted from quota to nonquota status. Other cheese categories showed modest declines.

U.S. Milk Output Unchanged in 1974

Total U.S. milk production in 1974 was 115.4 billion pounds, practically unchanged from the revised estimate of 1973. Milk produced in 1974 was 9 percent below the record 1964 production of 127 billion pounds.

The annual average number of milk cows on farms was a record low 11.2 million head, down 1.6 percent from the 1973 average. However, the January-December decrease in cow numbers was only 0.5 percent, the smallest decline since

1953 when milk cows actually increased throughout the year. Output per cow during 1974 was 10,286 pounds, 1.7 percent above that of 1973. For the first time since 1944, output per cow in 1973 fell below that of the previous year.

U.S. Rules on EC Dairy Subsidies

The U.S. Treasury Department on February 12 issued a preliminary determination that subsidy payments made by the European Community to assist exports of dairy products to the United States constitute a bounty or grant within the meaning of the U.S. countervailing duty statute. Interested parties had until March 3 to comment.

The next step by the U.S. Treasury will be a simultaneous final determination of the amount of the bounty or grant and whether or not the discretionary provisions of the Trade Act of 1974 can be applied to this situation.

New Zealand Sells Dairy Products

New Zealand reportedly has concluded an agreement with Iran for the sale of $60 million worth of nonfat dry milk and anhydrous milk fat. The sale apparently is tied to the building of several recombining plants in cooperation with DeLaval of Sweden.

Smaller EC Laying Flock Seen

Contraction of EC laying flocks in 1975 is presaged by late-1974 reductions in egg-chick placement. November placements are estimated at 11 percent below those of a year earlier, with cuts as deep as 33 percent and 15 percent, respectively, in Italy and West Germany. Preliminary December data indicate continued cutbacks, reflecting producer concern for oversupply as well as price decline.

N.Z. Dairy Herd May Expand

Milk production in New Zealand appears—for the time being, at least—to be more profitable than dairy beef production, thus reducing pressure to slaughter dairy cows. This trend should tend to dampen the recent downtrend in dairy cow numbers. However, calf slaughter—including dairy calves—has been heavy, so any increase in dairy cattle numbers may be gradual.

West Germany Poultry Meat Output Down

Preliminary data indicate that West Germany poultry meat output declined by about 4.6 percent in 1974, totaling about 212,000 metric tons. Most of this decline reportedly occurred in broilers as placements fell by over 5 percent.

TOBACCO

Canadian Flue-Cured Price Concern

A month-long decline of Ontario flue-cured tobacco prices recently climaxed in an exchange of claims by the Ontario Flue-Cured Tobacco Growers Marketing Board (OFCTGMB) and the Canadian Tobacco Manufacturer Council (CTMC). Falling prices that were about 1.5 cents below those of a month earlier with indicated lower domestic and export demand were the cause of concern.

The Chairman of the Marketing Board charged that the Council had lowered domestic leaf requirements from earlier estimates that had been used by the Board in allotting the 1975 crop acreage to growers. The Board has pressed for higher prices for the remainder of the selling season. The extent of its success in obtaining higher prices is expected to bear heavily on target production decisions for the 1975 crop.

The Council has countered that lower prices are the result of an unexpected decline in export purchases. However, growers have been assured that the Council will purchase, without reluctance, all tobacco offered for sale.

As of mid-February, 135.5 million pounds, or 57 percent of the estimated 236 million pound Ontario flue-cured crop, had been sold for an average price of 92.71 cents per pound. During the same period a year earlier, 151 million pounds had been sold for 79 cents per pound. The Canadian market, therefore, is about 17 percent above that of a year earlier. The 1974 U.S. flue-cured market, which closed November 21, 1974, averaged 105 cents per pound, up 19 percent from the 88-cent average of 1973.

Portugal Permits Tobacco Production

The Government of Portugal recently lifted a 48-year-old ban on the growing of tobacco. Although tobacco production has been allowed on the offshore islands and in the overseas states, none has been produced in metropolitan Portugal since 1927. A private company, acting in conjunction with an international tobacco firm, reportedly has conducted a feasibility study on the growing of tobacco that is to be presented to the Government. Portugal could, according to informed sources, become a net tobacco exporter in 5 years.

Portugal imported 17 mililon pounds of leaf in 1973. U.S. exports of leaf tobacco to Portugal in 1974 totaled 3.1 million pounds, valued at $3.6 million. The United States also shipped 136.1 million cigarettes in 1974.

Any tobacco produced in Portugal in the near future will likely have very little effect on U.S. exports. The leaf, if produced, will be more competitive with filler tobacco imported from other areas.

LIVESTOCK AND PRODUCTS

Australia To Trade in Beef Futures

Australia's first live beef cattle futures market is set for a June opening in Sydney. Although the Sydney Futures Exchange has been trading wool futures since 1960, attempts to start a cattle futures market have failed, chiefly because of a lack of uniform grades or classifications.

Australia still lacks uniform cattle grades, but it is believed that most cattle now can be satisfactorily defined to make live cattle futures contracts negotiable.

Contracts will call for delivery of specified types of young steer beef in 6,000-kg lots—equal to about 15 live animals weighing between 350 and 375 kg each, somewhat below the U.S. weight for top-quality market steers.

Cattle are to be delivered to buyers in carcass form with an expected yield of 56 percent, bone in but kidney and channel fat out. Quality standards will include a maximum of two permanent incisor teeth and 7-10 mm fat thickness. Adjustments will be possible as determined by an appraisal panel.

In the unlikely event of physical deliveries of cattle, the delivery point would be Homebush Bay, Sydney. Other centers

may be added later. (In the case of wool futures, only 2 percent of contracts have involved physical delivery.)

The Sydney Futures Exchange plans to carry out an extensive educational program to acquaint the beef industry with the operations of futures markets and how they can be used for various hedging strategies to reduce risk. It is not yet clear who will use the futures market, but the Exchange hopes to interest producers as well as processors, exporters, and speculators.

The Exchange announcement has produced mixed reactions. Uncertainty about the recovery of the present market could be a bearish factor. Some cattle industry officials have spoken out against futures trading, claiming it will accentuate ups and downs, but economists and those engaged in processing and marketing of beef tend to favor it. Beef producers will be cautious—at least to start with—about using the futures market.

FRUIT, NUTS, AND VEGETABLES

Turkey's Filbert Crop Defies Cycle

In defiance of the traditional on-year-off-year production cycle, Turkey's filbert output in 1974 is estimated at 220,000 metric tons (unshelled basis). This total represents only a moderate decline from the large 1973 crop of 240,000 tons (unshelled basis).

Total filbert exports during the 1973-74 marketing year (September-August) amounted to about 250,000 tons (unshelled basis), of which about 124,000 tons were shelled and 1,800 unshelled. Similar exports for the previous year were 91,000 shelled and 3,100 tons unshelled (a total of 185,400 tons, unshelled basis). Primary countries of destination were West Germany, France, the Soviet Union, and the United States.

Turkish filbert stocks data are often a mystery, and last year was no exception.Fiskobirlik, the Government-sanctioned cooperative, purchased about 77 percent of 1974 production (170,000 tons) and by mid-January 1975 had sold 40,000 tons. The balance of the stocks, together with the private stocks, are available for exports.

Support prices for the 1974 crop were set at U.S. 46 cents and 45 cents per pound of unshelled filberts for member and nonmember producers, respectively. These prices were well above world prices, and represented an increase of about 43 perecent over previous support prices. Because of these high prices, private exporters and dealers have not been very active in the market, with the bulk of the crop being purchased by Fiskobirlik. This differential in Turkish export prices and world prices also resulted in slow filbert export shipments from Turkey during the first 4 months of the 1974 mraketing year.

SUGAR AND TROPICAL PRODUCTS

U.S. Imports of Gum Arabic Up Sharply

U.S. imports of gum arabic in 1974 totaled 25.9 million pounds valued at $23.4 million, compared with the unusually low 1973 level of 16.8 million pounds valued at $5.3 million. Sudan was the major supplier of the 1974 imports with 22.9 million pounds valued at $20.2 million. Other important sources were Ethiopia, with 1.4 million pounds valued at $2.1 million, and Nigeria, 875,000 pounds valued at $306,000.

The value of 1974 imports (f.o.b. country of origin) does not fully reflect the sharp price rise gum arabic experienced last year, as the Gum Arabic Trading Company (GATC) of Sudan made large shipments to the United States based on unfilled 1973 contracts at prices prevailing in 1973.

Because of a small 1972-73 (December-June) harvest, GATC was not able to fulfill all 1973 contracts, and had to meet the remaining outstanding export contracts from the 1973-74 crop, which was also below normal because of low rainfall. However, a good 1974-75 crop is being harvested and supplies will be up this year.

As a result, GATC lowered its export prices by about $500 per metric ton on February 12, 1975, for material shipped f.o.b. Port Sudan during February-July. As a further incentive to stimulate sales, GATC has offered the following discounts: $10 per metric ton for purchases of 20 to 50 tons; $20 per ton for purchases of 51 to 100 tons; $30 per ton for purchases of 101 to 200 tons. Orders over 200 tons will be subject to negotiation. In addition, the GATC is offering a price protection clause for its customers that guarantees that future price declines will be applied to the remainder of a shipment if the gum is purchased under contract.

GENERAL

Canada Will Not Bar U.S. Wine, Cheese

Canada has postponed indefinitely its proposed regulation on appellations of origin that would have prohibited imports of a long list of U.S. wines and four types of cheese.

Under the proposal—published in July 1974—importation of specified wines, spirits, and other items having geographic or semigeographic names would have been prohibited unless the items were actually produced in the geographic locality indicated by the names.

Items such as California Burgundy, New York State Champagne, and Wisconsin Neufchatel would have been barred, even though their labels (as required by U.S. regulations) leave no reasonable doubt as to origin.

Freeze Damages Colombian Flowers

Freezing weather in late December and January damaged Colombian carnation and chrysanthemum production. Current estimates indicate freeze damage may reduce exports of carnations 10 percent and chrysanthemums 15 percent through March.

Trade Negotiations Group To Work on Nontariff Barriers

A nontariff barrier group, the first of six working groups set up by the Trade Negotiations Committee, met in Geneva, March 4-6. The group agreed to begin its work on the following four categories of nontariff barriers:

- Subsidies and countervailing duties;
- Quantitative restrictions, licensing, prohibitions, and voluntary export restrains;
- Packaging, labeling, and mark of origin standards; and
- Customs nomenclature, valuation, documentation, and other procedures.

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France Harvests Soybeans

Continued from page 4

put 250,000 as a ceiling. Such projections are based on the assumption that soybean varieties currently available would limit production to certain areas in southwest France. The projected acreage would be achieved through a replacement, in areas where soybean cultivation is now feasible, of about 20 percent of the corn acerage, 25 percent of the grain sorghum, and 20 percent of the spring barley.

Production resulting from such an acreage by 1980 would account for perhaps 15 percent of the anticipated needs of France's mixed feed industry, or less than the growth seen for demand in that industry (see the June 10 and June 17, 1974, issues of *Foreign Agriculture*).

It thus appears unlikely that expansion of soybean production in France will have a large impact on the market there for U.S. soybeans and soybean meal in the foreseeable future.

Still, there is the example of what happened to corn, given the protection provided it by the EC's CAP and the development of varieties and cultural practices adapted to the important grain regions of northern France—and the possibility that a very favorable price ratio for soybeans relative to corn plus development of suitable soybean varieties could bring similar rapid growth in soybeans some time in the future.

Portugal's Farm Trade

Continued from page 13

farm plan of July 1974 projects Portuguese per capita beef consumption to reach 45 pounds by 1979, compared with 27 pounds in 1970, and total beef consumption is expected to rise from 90,000 tons in 1970 to 150,000 tons by 1979.

The United States should continue to benefit from Portugal's imports of feeds. Corn and soybeans offer the best prospects. Future sales of U.S. corn to Portugal appear promising, although other traditional suppliers—South Africa, Argentina, and Brazil—will continue to offer competition.

Until recently Angola and Mozambique supplied a large share of Portugal's corn imports. However, these suppliers are expected to be less significant as a result of recent changes in their political status and greater domestic use of corn in both countries.

The United States has been Portugal's major supplier of soybeans, and is expected to retain this position. The United States also should continue to supply a large part of Portugal's tallow imports.

Hungry's Cattle Industry

Continued from page 11

bread, meat, and sugar have stayed the same, while producer prices have been selectively increased to stimulate production of certain commodities.

Consumer prices were subsidized by about $1.2 billion in 1974—triple that of the preceding year. Ninty percent of the price of beef and butter, 58 percent of milk prices, and 48 percent of pork and other meat product prices were borne by a State subsidy.

In 1973, producer prices for livestock and livestock products combined were increased about 11 percent over 1972's; for products alone, producer prices rose 24 percent. Price increases were the steepest in the cattle sector—gaining 34 percent for milk and 22 percent for slaughter cattle.

U.K. Farm Outlook

Continued from page 7

way is the question of Community financing. The United Kingdom wants this to be related to each member's GNP, arguing that as the EC's largest importer of leviable proucts it will have to pay a disproportionately large share of the EC budget. The problem will be difficult to resolve, however, since the gulf between the United Kingdom and its colleagues is immense. West Germany, the United Kingdom's only potential ally on reducing CAP costs, agrees only on the end and not the means, since tying—for instance—EC budget contributions to GNP would increase the German share.

—Based on a report from
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